97-84094-18

Wilson, Thomas Edward

The general industrial situation

[S.l.]

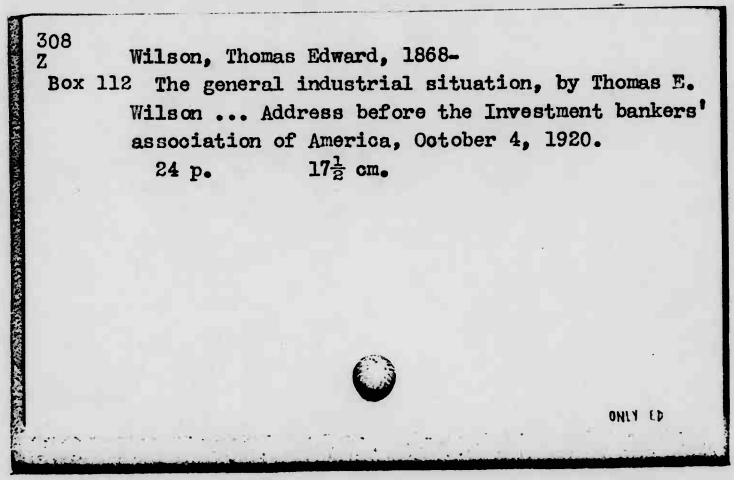
1920

97-84094-18
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


308
Z
Box 112 Wilson, Thomas Edward, 1868-
The general industrial situation, by Thomas E. Wilson ... Address before the Investment bankers' association of America, October 4, 1920.
24 p. 17½ cm.
ONLY ED

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 5-21-97 INITIALS: PB

TRACKING # : 22446

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

Box

The General Industrial Situation

308
Z
Box 112

By

THOMAS E. WILSON

President of the Institute of American Meat Packers

Address before the
Investment Bankers' Association of America
October 4, 1920

The General Industrial Situation

By

THOMAS E. WILSON

President of the Institute of American Meat Packers

Address before the
Investment Bankers' Association of America
October 4, 1920

A. N. L. July 13, '25

AN ADDRESS BY THOMAS E. WILSON, PRESIDENT OF THE INSTITUTE OF AMERICAN MEAT PACKERS

It is not an easy task to attempt to appraise correctly changing economic conditions, especially while they are in a state of violent fluctuation. However, the close observer may see signs here and there standing out above the flood tide of changing conditions through which he may determine the logical trend of events.

There are visible signs which show that the process of readjustment is now in full motion. The manufacture of luxuries is being curtailed. The spending fever is abating. Commodity prices are declining and further deflation seems to be in progress. A recent survey has been made of the industrial conditions of our country, which shows that economically the United States is better off than any other country of the world.

Agriculture is the foundation of our economic structure. Favorable crop reports come from every section. While declining prices have caused some disappointment, yet, generally speaking, the farmers are in a sound economic position. The producers of live stock have been more seriously affected by declining markets than any other branch of farm activities. I will have more to say on this subject during the course of my remarks. There is little evidence of idleness throughout the country, except in a few localities. So far as the distribution of labor is concerned, the situation nationally appears to be well equalized, with the exception of a temporary shortage of unskilled labor in some of the agricultural regions. There is no shortage of raw material sufficiently serious to curtail production below normal requirements. Most manufacturers are fairly well supplied with orders for their products, notwithstanding some cancellations. Transportation facilities show steady improvement.

In the financial field, while money is still tight, it should not continue so indefinitely. There is great encouragement to be drawn from the fact that there has been no substantial decrease in bank deposits during the last few months. Individual savings accounts show marked improvement. This seems to indicate a movement toward thrift, and that the period of reckless and extravagant spending is past. The business outlook appears to be good in nearly every section. The survey shows that a shortage of coal and a failure to increase individual productivity appear to be the only two unfavorable aspects in the immediate industrial situation.

Labor and Its Responsibilities

Labor has had some difficult problems to solve and some grave internal difficulties to overcome. It has been disturbed by a radical minority seeking to revolutionize industry and to overthrow many of the time-honored traditions of American in-

stitutions. The thoughtful, conservative forces of labor seem to be in the ascendancy and will no doubt lead to a sound and patriotic adjustment of this great problem. Labor seems to be gaining a clearer comprehension of its responsibilities as well as a will to fulfill its duty. It is beginning to understand that increased wages without increased production add little to its general welfare. It is beginning to realize that if it is to profit permanently by the increases in wages which it has received, it must increase the value and purchasing power of the sum added to the pay envelope by lowering the cost of commodities through increased production. Labor and industry should recognize that their interests are mutually dependent and should endeavor to co-operate in the solution of their problems. Autocratic management of industry on one side with a militant, bitter and class-conscious organization of labor on the other side will no longer be supported by public opinion; and where

such a condition exists, it presents a problem, the solution of which must be found.

If the men who represent all grades and kinds of business and labor in the United States could only unite in a movement not to fight each other but firmly to expose the omissions of each and fairly spread the truth, they might find a common ground for co-operation and turn the whole trend of events toward a more amicable solution of their common problems.

Industry can promote, and in a measure is promoting, a more sympathetic feeling by giving consideration to and putting into effect systems of profit sharing, pension funds, group insurance, devices for prevention of accidents and many other improvements looking to the general welfare of employees.

Every encouragement should be given, particularly in reference to the housing problem. The health, comfort and well-being of our working people is a matter of utmost importance. The home is the unit

of our civilization and the foundation of American institutions. The housing situation has become a very serious problem, especially in some of the larger industrial centers. Building operations in some of these centers show a decrease instead of the necessary increase. The population of our cities has grown by leaps and bounds, and improper housing facilities have become a serious problem.

Readjustment Without Panic

Timid men have asked the question, "Can American industry, which was expanded to record proportions under the forced draft of war necessities, be contracted toward normal dimensions without tragic economic results?" Representing, as I do, probably the largest industry in the country, and taking a philosophical view of the present and a hopeful outlook for the future, I feel that the question can be answered in the affirmative. There may be pessimists here and there who are apprehensive that only a panic can result from the extraordinary world conditions created by the war. In my opinion, such a catastrophe is not probable so long as the true American spirit continues to animate our institutions. The American people who were brave and resourceful enough to raise and equip an army of millions in an incredibly short time and transport them across the ocean in time to help change the fortunes of war and preserve the civilization of the ages, are courageous enough and have sufficient initiative to adjust their affairs without the necessity of undergoing industrial paralysis and a painful period of convalescence.

The pressing necessity of the present is to maintain a courageous and optimistic morale. The descent from the heights of abnormal production to the normal levels of peace times should be reached by gradation and not by perpendicular drops. No industry upon which large bodies of labor are dependent for a market for their raw

material has a moral right to close its doors in such a time as this merely to prevent a shrinkage in accumulated surplus or for the purpose of limiting production so as to create artificial values for materials on hand. To do so is to take advantage of extraordinary conditions, the burden of which should be shared by all. I am glad to say that we have had but few such examples.

Readjustment in the Packing Industry

Speaking particularly of the industry which I have the honor to represent, I wish to call your attention to the fact that when the armistice was signed, it found the production of live stock at its peak. The packing plants were operating at full capacity. Our cellars were filled with large quantities of surplus production purchased at the highest prices known in the history of the industry. The export business in all products declined rapidly. The Government

offered immense quantities of our products for sale at less than cost.

Our inventory values shrunk rapidly; yet the packing industry, notwithstanding these and subsequent losses, continued to operate on a scale sufficient to furnish a cash market for all live stock offered for sale by the producers of the country. Labor has been kept employed at the highest wages in the history of the industry and the industry has successfully absorbed the shock incident to these sweeping changes. It is difficult for those outside the industry to comprehend the extent, influence and rapidity of these changes in personnel, methods, equipment and financing necessary to expand an industry to unprecedented dimensions and then to contract it again to meet the changed conditions.

For example, during the month of March, 1913, the United States exported only 770,392 pounds of fresh beef. In March, 1918, it exported 62,064,261 pounds, or more than 80 times that much. In March, 1920,

these figures had shrunk to 6,036,166 pounds, or only about one-tenth of the quantity exported in the same month two years previously. Exports of other meat products also showed very large decreases.

If one of the largest industries of the country can make such a readjustment without demoralization or serious impairment of credit, is it not fair to say that with decent courage and moderate wisdom the whole industrial organization of the nation, insofar as it may be engaged in rendering a necessary or legitimate service to the public, can look forward with confidence, secure in the assurance that panic psychology will not find any widespread reflection in the public mind?

Industry has many great problems yet to be solved. Sacrifices are being made under the pressure of local conditions in some sections. Many commodities are now being disposed of at a loss and raw material in many instances at less than cost of

production. This is especially true of the live stock industry.

Low Price Agitation and Discouraged Production

In the agitation to reduce the cost of living, the consuming public should have a regard for its future supplies of basic necessities, and not carry it to the extent of discouraging production. The public should bear in mind that it requires much time to grow and develop meat food animals. Herds can be reduced much faster than they can be built up. The shrinkage in values suffered during the last year has discouraged production of live stock. Meat has experienced the greatest decline of any prime necessity. It is today comparatively one of the cheapest of our foods, yet in many misinformed quarters there is continued agitation against the industry. Further discouragement of the production of live stock in this country will prove a menace to the public welfare. The public should

be willing to consume meat at a price that will recompense the producer of the live stock and encourage production to the extent of keeping pace with our growing population.

Since the year 1900, the population of the United States has, with the exception of one or two of the war years, been steadily outstripping the production of live stock and of meat. The production of meat animals, gross weight per capita in the year 1900 was 248.2 pounds. In the year 1919, even under the influence of war and governmental stimulation, production amounted to only 211.3 pounds per capita.

In 1900 for every nine inhabitants in the United States there were about eight head of cattle, seven and one-half head of swine and seven head of sheep. On June 1, 1920, the ratio had shrunk to five and one-half head of cattle, six head of swine and four head of sheep for every nine inhabitants. This situation is not confined to the United States alone. Many countries of the world,

even before the war, had reached the point where their populations were increasing and their live stock herds were stationary. Many of these herds were depleted by the war.

This country cannot successfully eliminate meat from the daily diet without impairment of productive efficiency. China and India are fair examples of nations which have attempted to substitute other foods for meat.

Profits in the Packing Industry

The business of the packer is conducted on the smallest margin of profit of any of our basic industries, averaging about two cents on each dollar of sales, and in some years much less. These figures have been questioned and criticised by those unfriendly to the industry, but are true nevertheless and have been verified time and again by certified public accountants and Government agencies.

The profits of the investment banker on

each individual transaction is relatively so small that it would be unprofitable were it not for the large volume of business transacted. Likewise, the profit of the packer on each pound of meat is a mere fraction; in fact, it is so small that its entire elimination would not be noticed by the consumer, but the immense volume of his sales make it possible to transact the business on the smallest margin of profit of any industry in this country.

The economy employed in the manufacture and distribution of meat food products is well illustrated in the aggregate net profits of the five larger packers, according to the verified reports for the year 1919. I use these figures because I do not happen to have the financial reports of the entire industry, but these will serve to illustrate the experience of the entire industry.

The net profits for 1919 of the five larger packers amounted to $34,329,471.00. When these figures are thus grouped they appear to be a very substantial gain, but when

they are analyzed, they are found to be not only reasonable but beyond criticism. During the year 1919 the five larger packers slaughtered nearly forty million head of live stock in this country. The net profit to the packers derived from those animals, including, as well, all profits from all other sources of business transacted in this country, when divided by the number of animals, show the startling results of an average profit of only 87½ cents per head.

The reasonableness of the profits of the packers is illustrated by another comparison recently made of eighty-one of the leading corporations of the country. The list includes manufacturers and distributors of the principal daily necessities of the people.

These 81 corporations with an invested capital and surplus of about five and two-thirds billions of dollars handled during 1919 about nine and a quarter billions of dollars' worth of business which netted nearly 600 millions of dollars in profits.

The combined business of the five packers was about three and one-half billion dollars with an aggregate net profit of a little more than thirty-four million dollars, while the combined business of the other 76 corporations was about six billions or double that of the five packers, but on which they received aggregate net profits of 555 million dollars as compared with $34,329,471 for the five packers.

None of the five packers received as much as a cent and a half of profit on each dollar's worth of sales that year. One packer earned only an eighth of a cent per dollar of sales. The average of the five was less than a cent.

Of the other 76 corporations, three received 30 cents or more on each dollar's worth of goods sold; five received 20 cents or more; eighteen received 15 cents; thirty-seven received 10 cents; only twelve received less than 5 cents; none showed a profit of less than 3 cents and at least 60 per cent of them had profits ten times as

big as the average profit of the five packers. The average rate of profit of the 76 concerns was 11.25 cents on each dollar of sales or about thirteen and a half times as much as the average of the five packers.

The five packers had about 576 millions of invested capital. The packer with the highest return received slightly more than 7 cents on each dollar invested. The average for the five was 5.05 cents per dollar of investment.

The other 76 corporations had about five billions, one hundred forty-four millions of dollars of invested capital. They earned on an average more than two and a half times as much as did the packers, 13.01 cents compared with 5.05 cents. Of the other 76 concerns, five had profits of 26 cents or more on each dollar invested; thirteen earned 20 cents, thirty-six earned 12 cents; all but five earned 6 cents or more, and half of them showed returns on investment twice as big as the average return of the five packers.

I make this extended reference to the industry which I represent, inasmuch as it is one of the largest of the essential industries and because so much misinformation has been scattered broadcast in relation to it.

The Fight Against Radical Legislation

Another matter of prime importance to industry in general is the tendency toward drastic legislation. An effort has been made to fasten upon industry in times of peace many of the war powers extended to the government in time of war. The experiences patriotically endured during the period when civilization was in the balance has taught us many lessons which should serve as valuable guides for the future.

I do not believe that it can be shown that Government control of industry proved satisfactory. There is no substantial demand from any quarter at this time for Government ownership of the railroads. Government price fixing did not benefit the

producers of this country. It is a dangerous power to lodge in Federal agencies in time of peace.

The packers have almost single-handedly led the fight against radical legislation in which the entire industrial life of the nation must feel an interest, because if such legislation is ever adopted for the packing industry, sooner or later efforts would be made to extend it to include other industries.

Let us not be set adrift into new and dangerous experiments but utilize all our force and power to maintain the ideals and traditions upon which our commercial structure has been established—the foundation upon which we have become the greatest nation of the world.

From the utterance of public men in and out of Congress, one would imagine that the packing industry is without Governmental supervision. The industry is regulated by every law in existence applicable to industry in this country. Among the

numerous laws already in force supervising and regulating the packing business, may be mentioned the following:

Federal anti-trust law; Federal Trade Commission act; Federal food production act; Federal pure food act; Federal meat inspection act; Federal oleomargarine act; Federal butter act; Federal labor act; Federal internal revenue act; Federal income and excess profit laws; Interstate Commerce Commission regulations; Department of Agriculture regulations; state anti-trust laws; state oleomargarine laws; state butter laws; state cold storage laws; state pure food laws; state sanitary laws and regulations; state fertilizer laws; state foodstuff laws; state labor laws; state tax laws; state industrial court laws; city inspection laws; city sanitary laws and city tax laws. The list does not exhaust the subject, but is a fair example of the extent to which this industry is now supervised by laws.

It is time for Washington and the in-

dustries of the country to realize that the war is over. What this country needs now is a revival of that spirit of individual enterprise and high industrial purpose upon which the greatness of this country has been built. Business should realize that it is now time to grasp again the helm of its own destiny and take up once more the task of steering into broader channels of service. Business should realize that it cannot rely upon the Government to solve its problems through legislative enactments. Industry should do more to educate the people in regard to its business.

How the Government Can Help

If the Government feels an impulse to do something, it should devote its energies toward co-operation rather than toward antagonistic and restrictive legislation.

Industry in general and the production of raw material in particular would be stimulated by a sympathetic attitude on the part of all governmental agencies. Pro-

duction should not be permitted to languish on account of artificially restricted credit, and conservation of national resources should not be frustrated by unwise and radical legislation. Industry should become more active in counteracting erroneous propaganda. An enlightened public opinion is the surest safeguard against unscrupulous agitators.

Our experience has taught us very emphatically that public misinformation or lack of information concerning our business was a very serious matter. Probably they know just as little or even less about investment banking. I know and you know that if industry had been compelled to rely wholly on bank borrowings in expanding to meet war needs, the financial machine of the nation might have been unable to answer the call to arms. You have rendered a great service to the country. I know how strenuously and with what ingenuity you worked to meet the demands made on you. The money that you summoned from de-

posit boxes, from savings and even from the old woolen sock contributed materially to the successful part which industry played in the great struggle which has now ended.

I will not undertake to discuss any of the problems common to your business as they will no doubt be fully covered by your officers and members during your deliberations. It seems to me that you investment bankers have an opportunity for a real public service.

One of the evils of the times has been the "get-rich-quick" concerns and enterprises of all kinds, whose purpose seemed to be merely to enrich the promoters rather than to legitimately expand our industries.

Every possible step should be taken to discourage the promotion of concerns whose purposes and ability to succeed cannot stand the light of honest scrutiny. There have been a few shining examples of this character in the packing industry recently as well as in many other lines. Con-

fidence in the integrity of industrial institutions is absolutely essential to the future welfare of our country.

I am admonished that the time allotted will not admit of a more extended discussion of the subject allotted to me. Let us all view the problems which confront us without fear or misgiving. Let us keep the door of opportunity open for individual initiative and enterprise, practicing thrift and frugality in our respective institutions, with the knowledge that efficient service is our only proper claim to existence, and that every essential business which is rendering a genuine service, no matter how serious its problem, may face the future with abiding confidence.

MSH #22446

END OF
TITLE